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AUTHOR	Belfield, Clive
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ABSTRACT

This digest examines prospects for educational voucher reforms across the U.S. education system. Currently, fewer than 20,000 U.S. students use publicly-funded school vouchers in Milwaukee, Cleveland, and Florida. As a proportion, this figure is tiny. Education voucher programs are neither prominent nor popular now. Whether they proliferate over the next decade will depend upon (1) the legal framework for vouchers (even though the U.S. Supreme Court has supported one voucher program, it is not assured that all programs will be supported by the courts); (2) the extent of the demand for education vouchers by parents, taxpayers, and homeowners; and (3) the supply of schools willing to accept voucher students (if the voucher is set at a high value, then a sufficient supply of private schools will be forthcoming, but if the voucher is set significantly below the average per pupil expenditure in public schools, then it is likely that private schools will not be enthusiastic about vouchers). The digest concludes that in emphasizing freedom of choice, the U.S. Supreme Court has clearly given support to reforms involving education vouchers, but at issue is whether this support means that prospects for education vouchers are promising. (Contains 13 references.) (SM)

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Clive Belfield

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THE PROSPECTS FOR EDUCATION VOUCHERS AFTER THE SUPREME COURT RULING

In June 2002, newspapers were full of headlines about how the U.S. Supreme Court had approved vouchers for America's schools. In fact, the Supreme Court had only considered the legal status of a small voucher program in Ohio, the Cleveland Scholarship and Tutoring Program. It ruled that the program does not offend the Establishment (of religion) Clause of the U.S. Constitution—even though over 90 percent of the voucher students attended religious schools. The majority opinion was premised primarily on the need to expand school "choice" and the fact that the Cleveland program "is a program of true private choice... neutral in all respects toward religion. It is part of a general and multifaceted undertaking by the State of Ohio to provide educational opportunities to the children of a failed school district" (see *Zelman v. Simmons-Harris*). Fundamental to public schooling—the Supreme Court decided—should be the right to choose which school to attend.

To some commentators, this ruling is "as historic" as the 1954 ruling in *Brown vs. Board of Education*. It has certainly spurred pro-voucher advocates to launch legal challenges in several other states, including Maine and Washington, with the longer term goal of extending voucher programs across the country. This digest examines the prospects for voucher reforms across the U.S. education system.

The Importance of Vouchers in the U.S. Education System

Currently, fewer than 20,000 American students use publicly-funded school vouchers in Milwaukee, Cleveland, and Florida. As a proportion, this figure is tiny, even when compared to the numbers of students attending private schools (5.3 million), enrolled in charter schools (0.6 million), or being home-schooled (0.8 million) (Bauman, 2002; U.S. Department of Education, 2002).

Education voucher programs are neither prominent nor popular now, but the future may be different. Whether the programs proliferate over the next decade will depend on three key issues: the legal framework for vouchers, the extent of the demand for them, and the sufficiency of the supply of schools accepting voucher funds.

The Legal Framework for Vouchers

Even though one voucher program has been given the go-ahead by the U.S. Supreme Court, it is not assured that all programs will be supported by courts. The law only declares what is permissible; it does not say what is desirable. In the Cleveland case, vouchers were appraised in light of the many schooling options available there, such as magnet and community schools, and the acknowledged educational failures in the Cleveland School District. Such conditions do not exist in all states, or across all districts. The ruling also does not override state proscriptions on funding to private or religious schools. In fact, only 19 states have constitutions that would follow the Supreme Court ruling; another 15 have constitutions that place heavy restrictions on voucher programs, and the remaining states could go either way (Kemerer, 2002).

Generally, the power of court rulings to effect any change has been regarded skeptically: in this case, the courts are not compelling reform, nor are they suggesting a way to finance it. Overall, the U.S. Supreme Court decision in Summer 2002 does encourage vouchers, but there will be further legal challenges to statewide voucher programs.

The Demand for Education Vouchers

Two primary benefits of education vouchers are expected: more freedom of choice and more efficient and effective schools (Gill, Timpane, Ross, & Brewer, 2001). Freedom of choice is enhanced because students need no longer attend their neighborhood school. The efficiency gains from introducing vouchers have four sources: higher achievement scores for voucher students, competitive pressures between schools for voucher funds, more efficient schools, and faster rates of school innovation in response to parental preferences.

Three main groups might have a stake in education vouchers:

Parents. There is reasonably strong evidence that vouchers promote greater school choice, and so make some parents more satisfied with their children's schools, particularly if the previous options were failing or low-performing schools (Peterson & Hassel, 1998). Indeed, voucher programs can now be seen as redistributive: they help families who are least well-served under the current education system (Howell & Peterson, 2002).

But, many parents already face a reasonably large choice set—as high as 70 percent of parents have choice (Hoxby, 2001)—and can exercise choice across many dimensions (inter-district, intra-district, intra-school, and inter-sector). Many parents are reasonably happy with their current public school (Moe, 2001). Parents may be risk-averse in changing from "standard" public schooling to "unknown" private schooling, where the variance in quality may be wider. Perhaps as a reflection, the utilization rates for vouchers are fairly low. In the Dayton, Washington, DC, and New York experiments, 20-35 percent of low-income voucher recipients awarded a three-year voucher of between $1,400–$1,700 failed to use it at all (Howell & Peterson, 2002). Of 15,000 available vouchers in Milwaukee, only about 9,000 have been taken after years of publicity and expansion of supply. Thus, benefits would be limited to the additional choice options that would be made available and families do actually select.

Tax-Payers. If the efficiency gains from vouchers are sizeable, tax-payers would be expected to lobby for political change to encourage their use. However, efficiency gains from voucher programs appear modest. Voucher programs yield only small positive achievement gains for participating students (Howell & Peterson, 2002). The pressures from competition between schools induce some efficiency gains, but again the effects are modest (Belfield & Levin, 2002). Alternatives to the traditional public school—i.e., charter, for-profit, and private schools—do not show

clearly either greater effectiveness or greater cost effectiveness. Charter schools, even where regulation is lighter, are no more efficient than traditional public schools (Miron & Nelson, 2002). For-profit schools often face financial difficulties, particularly with high marketing costs and difficulties in establishing brand loyalty. The evidence on private schools suggests that they serve to raise attainment (the amount of schooling) by modest amounts, but have little effect on test scores. Even where these schools show modest improvements over public schools in effectiveness (e.g., test scores), there is no clear evidence of greater efficiency (e.g., test scores per dollar). Finally, vouchers may promote innovation or invention or encourage the diffusion of best-practice management, but the evidence of this is not widespread. Critically, any efficiency gains must be set against the adjustment costs needed to finance and administer a large voucher program (see Levin & Driver, 1997).

Homeowners. Education is funded in large part through local property taxes, and school enrollments are determined by residence. Property prices reflect the quality of local schools, so parents who want good schools have to pay a high price for their homes. Education vouchers might break the link between school enrollment and place of residence, thereby reducing the value of houses in high-quality school districts. Many homeowners in these areas might therefore see the value of their property fall. If this were to happen, they might be strongly averse to the introduction of education vouchers.

Supply of Schools Willing to Accept Voucher Students

If the voucher is set at a high value, then a sufficient supply of private schools will be forthcoming. However, if the voucher is set significantly below the average per pupil expenditure of public schools, then it is reasonable to predict that private schools will not be overly enthusiastic about vouchers. For vouchers to create more choices and promote efficiency, there would need to be a large supply of private schools ready to accept them. Several factors will influence private school decisions. One is the amount of surplus capacity in private schools, although evidence suggests that economies of scale are exhausted at relatively small school sizes (Andrews, Duncombe, & Yinger, 2002). Another is whether existing schools can expand to serve new groups of students. But such an expansion may be limited for religious schools, if they are sensitive about enrolling students who are imperfectly devout. Similarly, independent schools may be sensitive to the potential or perceived loss of selectivity from enrolling voucher students. Perhaps most importantly, however, private schools may be cautious about taking government funds in the form of vouchers, which could be accompanied by increased government regulation and oversight. In law if not in practice, the government has substantial discretion over how private schools are run, and this law is likely to encroach further if private schools accept voucher-funded students. Survey evidence shows more than half of all private schools are likely to refuse to accept voucher students under such regulation (Muraskin & Stullich, 1998).

Conclusion

In emphasizing freedom of choice, the Supreme Court has clearly given support to reforms involving education vouchers. At issue is whether this support means that the prospects for education vouchers are bright. Undoubtedly, the ruling will please voucher advocates. It stresses the advantages of choice over possible losses in social cohesion from entanglement between religion and government. It also corresponds well with advocates' new, focused agenda: voucher programs for low-income families in inner cities. And, it clarifies a debate where beforehand uncertainty had scared away supporters. At issue for the future is whether these factors—when set in the context of legal constraints, public support or opposition, and private school buy-in—are sufficient to tip the balance in favor of more programs.

—Clive Belfield,
National Center for the
Study of Privatization in Education

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